

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2014-346-WS**

IN RE: Application of Daufuskie Island Utility ) **ORS ANSWER TO DIUC**  
Company, Incorporated for Approval of an ) **MOTION FOR**  
Increase for Water and Sewer Rates, Terms ) **RECONSIDERATION OF**  
and Conditions ) **DIRECTIVE OF 2018-208**

The South Carolina Office of Regulatory Staff (“ORS”) respectfully submits this Answer pursuant to S.C. Code Ann. Regs. 103-826 (2012) to the Daufuskie Island Utility Company, Inc. (“DIUC” or the “Company”) Motion for Reconsideration filed on April 4, 2018 (“Motion”). The Public Service Commission of South Carolina should deny the Company’s Motion because the case has not been finally disposed, underlying transactions are unsettled, and there is reason to believe the Motion mischaracterizes the facts.

ORS reiterates the positions it took in its Response to DIUC’s original Motion for Order Regarding Bonds (“Response”), which was filed with this Commission on March 19, 2018. As stated in ORS’s Response, questions remain regarding the amounts refunded, the status of refunds to former customers of DIUC, and the methodology used to calculate those amounts. DIUC’s Motion represents that the bonds have served their intended purpose because “[t]he refunds have already been made.”<sup>1</sup> ORS disagrees that all refunds have been made. ORS recently received an e-mail dated April 2, 2018, in which a representative of DIUC stated, “...I have been instructed by the management company and their attorneys that no refund

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<sup>1</sup> In multiple instances on page 2, the Motion represents that refunds have already been made.

will be given on a property that is no longer owned until the rate case has been finalized.”<sup>2</sup> In part because of this representation, ORS continues to have questions regarding the amounts refunded, the status of refunds to former customers of DIUC, and the methodology used to calculate those amounts. As a result, ORS asserts DIUC’s Motion should be denied.

Furthermore, in compliance with Commission Order Nos. 2018-68 and 2018-208, wherein the Commission requested ORS to complete its review by April 30<sup>th</sup>, ORS served upon counsel for DIUC an Audit Information Request (“AIR”), pursuant to S.C. Code Ann. § 58-4-55.<sup>3</sup> In response to ORS’s AIR, DIUC submitted what is attached hereto as Answer Exhibit 3, in which DIUC raised objections to the requests in the AIR because the requests “are not part of a contested case proceeding.”<sup>4</sup> However, in the answer provided by DIUC to ORS AIR 1.6, DIUC states in part,

DIUC has not yet calculated refunds due to any former customers. DIUC does not plan to calculate then make refunds to former account holders...After refunds to former customers are calculated and issued, DIUC will cooperate with ORS to identify unclaimed refunds....

Additionally, DIUC’s response to ORS AIR 1.8 states,

...if refunds are made to former customers at the amounts currently calculated and the final water and sewer rates turn out to be higher than currently approved, there would be no realistic opportunity to collect overpayments of refunds from those individuals.

This proceeding is not yet fully disposed and DIUC’s responses highlight the ambiguities surrounding DIUC’s plan to refund former customers who made payments at the rates set under bond. DIUC’s responses support the notion that the ratepayer will be at risk if the surety is allowed to release the letter of credit.

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<sup>2</sup> See Answer Exhibit 1, along with Motion Requesting that it be Granted Confidential Treatment

<sup>3</sup> See Answer Exhibit 2, which consists of ORS’s Audit Information Request and Transmittal letter, sent on March 27, 2018.

<sup>4</sup> See Answer Exhibit 3. It is ORS’s position that it did not initiate this inspection, and as a result, DIUC’s citation of 58-4-55(B)(1) is misplaced and inapplicable.

For the above reasons, ORS asks that the Commission deny the Company's Motion.



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Jeffrey M. Nelson, Esquire  
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April 10, 2018  
Columbia, South Carolina

**REDACTED**  
**“EXHIBIT 1”**



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Columbia, SC 29201

Phone: (803) 737-0300  
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*Andrew M. Bateman*  
*Counsel for ORS*

March 27, 2018

**VIA ELECTRONIC MAIL**

Thomas P. Gressette, Jr., Esquire  
Walker Gressette Freeman Linton LLC  
Post Office Box 22167  
Charleston, South Carolina 29413

Re: Application of Daufuskie Island Utility Company, Incorporated for Approval of an Increase for Water and Sewer Rates, Terms and Conditions  
Docket No. 2014-346-WS

Dear Mr. Gressette:

For the aforementioned docket, please find enclosed and served on you the South Carolina Office of Regulatory Staff's First Continuing Audit Information Request for Records and Information Sent Pursuant to Commission Order Nos. 2018-68 and 2018-208. Please contact me if you have any questions.

Sincerely,

Andrew M. Bateman

Encl.



"document" is used herein, it means any written, printed, typed, graphic, photographic, or electronic matter of any kind or nature and includes, but is not limited to, statements, contracts, agreements, reports, opinions, graphs, books, records, letters, correspondence, notes, notebooks, minutes, diaries, memoranda, transcripts, photographs, pictures, photomicrographs, prints, negatives, motion pictures, sketches, drawings, publications, and tape recordings.

Wherever in this audit request a masculine pronoun or possessive adjective appears, it refers to both males and females in accordance with traditional English usage.

**IT IS THEREFORE REQUESTED:**

- I. That all information shall be provided to ORS in the format requested.
- II. That all responses to the audit requests below be labeled using the same numbers as used herein.
- III. Unless otherwise agreed, the requested information shall be bound in 3-ring binders with numbered tabs between each question.
- IV. That if information requested is found in other places or other exhibits, reference shall not be made to those; instead, that the information be reproduced and placed in the audit request in the appropriate numerical sequence.
- V. That any inquiries or communications relating to questions concerning clarification of the information requested below should be directed to Willie J. Morgan [803.737.0827], Dawn M. Hipp [803.737.0814], Matthew P. Schellinger [803.737.0154], Andrew M. Bateman [803.737.8440], or Jeffery M. Nelson [803.737.0823] of ORS.
- VI. That this entire list of questions be reproduced and included in front of each set of responses.
- VII. That each question be reproduced and placed in front of the response provided.
- VIII. That unless otherwise specified the Company provide three (3) paper copies/binders of responses to ORS. In addition, and if technically feasible, it is requested that the Company provide one (1) electronic version of the responses.
- IX. That all exhibits be reduced or expanded to 8 ½" x 11" format, where practical.

- X. If the response to any audit request is that the information requested is not currently available, please state when the information requested will be available and provided to the ORS. This statement is not a waiver of the deadline for all other responses.
- XI. That in addition to the signature and verification at the close of the Company's responses, the Company witness(es) or employee(s) or agent(s) responsible for the information contained in each response be indicated.
- XII. This audit request shall be deemed to be continuing so as to require the Company to supplement or amend its responses as any additional information becomes available.
- XIII. For information requested herein where the information is kept, maintained, or stored using spreadsheets, please provide electronic versions of the spreadsheets, including the formulas used and embedded in the spreadsheet.

**REQUESTS:**

**All Customers**

- 1.1. Provide ORS with a copy of each complete rate schedule(s) used for billing customers from July 1, 2016 through December 1, 2017. Furnish the date on which bills were rendered utilizing its respective rate schedule(s).
- 1.2. Provide ORS with a copy of each complete rate schedule(s) used for billing customers from January 1, 2018 through the present. Furnish the date on which bills were rendered utilizing its respective rate schedule(s).
- 1.3. In the "NOTICE OF REFUNDS" issued to customers in January 2018, the interest presented to be added to a customer's Pre-Interest Refund Amount is shown as being calculated according to a rate of 12.3% and 13.4% for the 5<sup>th</sup> and 6<sup>th</sup> quarters, respectively. Please explain how DIUC derived at these percentage amounts. Show all calculation information detailing how these percentages tie to the required refund rate of 12% per annum.
- 1.4. Complete the attached excel table for each of the premises listed in the sample set provided. If the account holder changed during the billing period identified, please indicate.
- 1.5. Provide ORS with a copy of DIUC's applicable rate schedule currently being used for billing customers.

**Former Customers of DIUC**

- 1.6. Were all excess monies owed to former customers (former account holders who no longer have an active account with DIUC) of DIUC refunded? If not, were the monies provided to the State of South Carolina pursuant to the "Uniform Unclaimed Property Act" (S.C. Code Ann. Section 27-18-90(B))? If not, why not?
- 1.7. Identify the amount returned to each former account holder and identify the amount provided to the State in the form of unclaimed property, if applicable. Include each account holder's name, address, date refund returned or escheated to the State, and the amount of the refund. Provide response in MS excel format.
- 1.8. If refunds have not yet occurred, does DIUC plan to make refunds to these former account owners and/or provide the refunds to the State of South Carolina? If so, when? Include each account holder's name, address, date of planned refund to customer or escheated to the State, and the amount of the planned refund. Provide response in MS excel format.

/s/  
Andrew M. Bateman, Esquire  
Jeffery M. Nelson, Esquire  
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March 27, 2018

**BEFORE**

**THE PUBLIC SERVICE COMMISSION OF**

**SOUTH CAROLINA**

**DOCKET NO. 2014-346-WS**

IN RE: Application of Daufuskie Island Utility Company, Inc. for Approval of an Increase for Water and Sewer Rates, Terms and Conditions ) Objections and Information  
 ) Provided in Response to Document  
 ) Captioned "South Carolina Office  
 ) of Regulatory Staff's First and  
 ) Continuing Audit Information  
 ) Request for Records and  
 ) Information Sent Pursuant to  
 ) Commission Order Nos. 2018-68  
 ) and 2018-208"

**TO: ANDREW M. BATEMAN, ESQUIRE AND JEFFERY M. NELSON, ESQUIRE  
 THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**

Via email dated March 27, 2018, the South Carolina Office of Regulatory Staff ("ORS") provided to counsel for Daufuskie Island Utility Company, Inc. ("DIUC") a document bearing the above-referenced caption and titled "South Carolina Office of Regulatory Staff's First and Continuing Audit Information Request for Records and Information Sent Pursuant to Commission Order Nos. 2018-68 and 2018-208." See *Exhibit 1* ("the Requests"). The Requests state they are made "pursuant to S.C. Code Ann. § 58-4-55 (2015) and Commission Order Nos. 2018-68 and 2018-208."

The hearings on this matter have concluded and discovery has ended. The cited Commission Orders do not authorize additional discovery in this case. The cited statute, S.C. Code § 54-4-55, likewise does not authorize ORS to propound the Requests in the format and under the case caption for DIUC's rate application. Because the Requests are not part of a contested case

proceeding, DIUC is entitled to and hereby does raise objections to the Requests pursuant to the South Carolina Rules of Civil Procedure. *See* S.C. Code § 58-4-55(B)(1).

In an effort to cooperate with the ORS, DIUC provides the following information and attachments. In doing so, DIUC does not waive and specifically reserves its rights to object to further discovery and any other positions asserted by the ORS.

- 1.1. Provide ORS with a copy of each complete rate schedule(s) used for billing customers from July 1, 2016 through December 1, 2017. Furnish the date on which bills were rendered utilizing its respective rate schedule(s).

**DIUC's January 16, 2018, Letter to Hon. Jocelyn Boyd includes a detailed letter from John F. Guastella with Appendices. *See* Docket ID #274057 (copy attached hereto as *Exhibit 2*). Appendix A includes the rate schedule used for billing customers from July 1, 2016 to October 1, 2017, which covered the period those rates were in effect from April 1, 2016 through September 30, 2017. Appendix A also includes the rate schedule under which the customers were billed on January 1, 2018 for the period from October 1, 2017 to December 31, 2017.**

- 1.2. Provide ORS with a copy of each complete rate schedule(s) used for billing customers from January 1, 2018 through the present. Furnish the date on which bills were rendered utilizing its respective rate schedule(s).

**DIUC's January 16, 2018, Letter to Hon. Jocelyn Boyd includes a detailed letter from John F. Guastella with Appendices. Appendix A includes the rate schedule under which the customers were billed on January 1, 2018 for the period from October 1, 2017 to December 31, 2017. The rate schedule used for billing customers on April 1, 2018, for the period from January 1, 2018 through March 31, 2018, is attached to the Notice of Revised Rate Schedule filed with the Commission on March 28, 2018 (Docket ID #275296) (copy attached hereto as *Exhibit 3*).**

- 1.3. In the "NOTICE OF REFUNDS" issued to customers in January 2018, the interest presented to be added to a customer's Pre-Interest Refund Amount is shown as being

calculated according to a rate of 12.3% and 13.4% for the 5<sup>th</sup> and 6<sup>th</sup> quarters, respectively. Please explain how DIUC derived at these percentage amounts. Show all calculation information detailing how these percentages tie to the required refund rate of 12% per annum.

**DIUC's January 16, 2018, Letter to Hon. Jocelyn Boyd includes a detailed letter from John F. Guastella with Appendices. Mr. Guastella's letter provides a detailed explanation of how DIUC arrived at the percentage amounts. Appendix A shows the pre-interest refund percentages between the July 1, 2016 rates and the January 1, 2018 rates. Appendix B shows the specific availability rates and refunds, including interest, for all availability customers who were billed for 6, 5, 4, 3, 2 or 1 quarter(s). Appendix C shows the detailed calculation of the interest for customers that were billed for 6, 5, 4, 3, 2, or 1 quarter(s).**

- 1.4. Complete the attached excel table for each of the premises listed in the sample set provided. If the account holder changed during the billing period identified, please indicate.

**DIUC's January 16, 2018, Letter to Hon. Jocelyn Boyd includes a detailed letter from John F. Guastella with Appendices. Mr. Guastella's letter provides a detailed explanation of how DIUC calculated the refunds for usage rate customers. Appendix D provides sample calculations for four accounts for which the POA's requested examples of the refund calculations. This information should be sufficient for ORS to understand and review the calculations.**

**To the extent that ORS seeks to require further information or action via Request 1.4, DIUC objects because sufficient information has been provided and DIUC should not be subjected to the burdensome requirement of creating additional document(s) and/or response(s). Because Request 1.4 creates undue burden, it exceeds the scope of permissible discovery under the South Carolina Rules of Civil Procedure. DIUC further objects because Request 1.4 is overly broad as to time, scope and subject matter, since the worksheet proposed by ORS does not cover the correct quarters and, therefore, would not provide accurate or relevant information**

about the refunds. The rates were in effect for 2016 quarters 2, 3, 4 and 2017 quarters 1, 2, 3.

- 1.5. Provide ORS with a copy of DIUC’s applicable rate schedule currently being used for billing customers.

The rate schedule currently being used by DIUC is attached to the Notice of Revised Rate Schedule filed with the Commission on March 28, 2018 (Docket ID #275296) (copy attached hereto as Exhibit 3).

**Former Customers of DIUC**

- 1.6. Were all excess monies owed to former customers (former account holders who no longer have an active account with DIUC) of DIUC refunded? If not, were the monies provided to the State of South Carolina pursuant to the “Uniform Unclaimed Property Act” (S.C. Code Ann. Section 27-18-90(B))? If not, why not?

DIUC has not yet calculated refunds due to any former customers. DIUC does plan to calculate then make refunds to former account owners. By its terms, Section 27-18-91(B) does not require any immediate action from DIUC. The Section applies to refunds that “remained unclaimed by the person appearing on the records of the utility entitled thereto for more than five years after the date it became payable in accordance with the final determination or order providing for the refund is presumed abandoned.” After refunds to former customers are calculated and issued, DIUC will cooperate with ORS to identify unclaimed refunds and pay the same to the State of South Carolina should ORS direct it to do so.

- 1.7. Identify the amount returned to each former account holder and identify the amount provided to the State in the form of unclaimed property, if applicable. Include each account holder’s name, address, date refund returned or escheated to the State, and the amount of the refund. Provide response in MS excel format.

See Response to Request 1.6.

1.8. If refunds have not yet occurred, does DIUC plan to make refunds to these former account owners and/or provide the refunds to the State of South Carolina? If so, when? Include each account holder's name, address, date of planned refund to customer or escheated to the State, and the amount of the planned refund. Provide response in MS excel format.

**DIUC has not yet calculated refunds due to any former customers. DIUC does plan to calculate then make refunds to former account owners. It will be a time consuming and expensive process for DIUC to identify its former customers, when they ceased service, and then to individually calculate any refunds due. After that, a refund check would be mailed to the most recent address or forwarding address provided by the customer. Many of those checks will be delayed, returned and/or lost. If DIUC engages in that process now and then there is an appeal that alters the refunds due, it will have exposed the ratepayer to unnecessary administrative costs. Additionally, if refunds are made to former customers at the amounts currently calculated and final water and sewer rates turn out to be higher than currently approved, there would be no realistic opportunity to collect overpayments of refunds from those individuals. DIUC intends to calculate the refunds following the expiration of the time for, or the conclusion of, any appeal of the Commission's order(s) following remand.**

Respectfully submitted,

/s/ Thomas P. Gressette, Jr.

**Thomas P. Gressette, Jr.**

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Email: [Gressette@WGFLAW.com](mailto:Gressette@WGFLAW.com)

**G. Trenholm Walker**

Direct: (843)-727-2208

Email: [Walker@WGFLAW.com](mailto:Walker@WGFLAW.com)

**WALKER GRESSETTE FREEMAN & LINTON, LLC**

Mail: PO Box 22167, Charleston, SC 29413

Office: 66 Hasell Street, Charleston, SC 29401

Phone: 843-727-2200

April 3, 2018  
Charleston, South Carolina

Certificate of Service

This is to certify that on April 3, 2018, I caused to be served upon the counsel of record named below a copy of the foregoing Objections and Information Provided in Response to Document Captioned "South Carolina Office of Regulatory Staff's First and Continuing Audit Information Request for Records and Information Sent Pursuant to Commission Order Nos. 2018-68 and 2018-208," by electronic mail, as indicated.

Andrew M. Bateman, Esq. ([abateman@regstaff.sc.gov](mailto:abateman@regstaff.sc.gov))  
Jeff Nelson, Esq. ([jnelson@regstaff.sc.gov](mailto:jnelson@regstaff.sc.gov))

/s/ Thomas P. Gressette, Jr.

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2014-346-WS**

IN RE: Application of Daufuskie Island Utility Company, Inc. for Approval of an Increase for Water and Sewer Rates, Terms and Conditions ) South Carolina Office of Regulatory Staff's First and Continuing Audit Information Request for Records and Information Sent Pursuant to Commission Order Nos. 2018-68 and 2018-208

**TO: THOMAS P. GRESSETTE, JR., ESQUIRE AND G. TRENHOLM WALKER, ESQUIRE – COUNSEL OF RECORD FOR DAUFUSKIE ISLAND UTILITY COMPANY, INC.:**

The South Carolina Office of Regulatory Staff (“ORS”) hereby requests, pursuant to S.C. Code Ann. §§ 58-4-55 (2015) and Commission Order Nos. 2018-68 and 2018-208, that Daufuskie Island Utility Company, Inc. (hereafter referred to as “DIUC”, or the “Company”) **provide responses in writing and under oath and serve the undersigned by April 6, 2018**, at ORS, 1401 Main Street, Suite 900, Columbia, South Carolina, 29201. If you are unable to respond to any of the audit requests, or parts thereof, in a timely manner please specify the reason for your inability to respond and state what other knowledge or information you have concerning the unanswered portion.

As used in these audit requests, “identify” means, when asked to identify a person, to provide the full name, business title, address and telephone number. As used in these audit requests, “address” means mailing address and business address. When asked to identify or provide a document, “identify” and “provide” mean to provide a full and detailed description of the document and the name and address of the person who has custody of the document. When the word

EXHIBIT 1, DIUC RESPONSE (4-3-2018)

“document” is used herein, it means any written, printed, typed, graphic, photographic, or electronic matter of any kind or nature and includes, but is not limited to, statements, contracts, agreements, reports, opinions, graphs, books, records, letters, correspondence, notes, notebooks, minutes, diaries, memoranda, transcripts, photographs, pictures, photomicrographs, prints, negatives, motion pictures, sketches, drawings, publications, and tape recordings.

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- VI. That this entire list of questions be reproduced and included in front of each set of responses.
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**REQUESTS:**

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**Former Customers of DIUC**

EXHIBIT 1, DIUC RESPONSE (4-3-2018)

- 1.6. Were all excess monies owed to former customers (former account holders who no longer have an active account with DIUC) of DIUC refunded? If not, were the monies provided to the State of South Carolina pursuant to the "Uniform Unclaimed Property Act" (S.C. Code Ann. Section 27-18-90(B))? If not, why not?
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/S/

\_\_\_\_\_  
Andrew M. Bateman, Esquire  
Jeffery M. Nelson, Esquire  
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March 27, 2018

EXHIBIT 2, DIUC RESPONSE (4-3-2018)

THOMAS P. GRESSETTE, JR.  
Direct: 843.727.2249  
Email: Gressette@WGFLAW.com

January 16, 2018

VIA ELECTORNIC FILING

Jocelyn G. Boyd, Esquire  
Chief Clerk & Administrator  
Public Service Commission of South Carolina

RE: DIUC Rate Application Proceeding, Docket No. 2014-346-WS

Dear Ms. Boyd:

Following Mr. Beach's letter dated January 5, 2018, and the letter I filed in response on behalf of DIUC on January 8, 2018, the parties have conferred several times. After a productive call among counsel on January 12, 2018, Mr. Beach emailed a series of questions regarding DIUC's January 2018 billing and DIUC's calculation of credits due customers as a result of the Commission's Directive dated December 20, 2017.

DIUC has worked very hard to address the specific questions posed by the email and today provided the parties with a responsive letter enclosing multiple appendices.

In order to update the Commission and Hearing Officer Butler as to the parties' recent efforts, a copy of Mr. Beach's email and DIUC's letter in response are attached hereto for incorporation into the record.

Sincerely,

/s/

Thomas P. Gressette, Jr.

Enclosures (as stated)

Copies To:

Standing Hearing Office David Butler ([David.Butler@psc.sc.gov](mailto:David.Butler@psc.sc.gov))

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**Thomas P. Gressette, Jr.**

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**From:** John Beach <John.Beach@arlaw.com>  
**Sent:** Friday, January 12, 2018 11:51 AM  
**To:** Thomas P. Gressette, Jr.  
**Cc:** Jack Pringle; Bateman, Andrew; Nelson, Jeff (jnelson@regstaff.sc.gov)  
**Subject:** DIUC - Questions on 4th Quarter Billing and Credits

Tom,

Thanks for your time yesterday. I have a meeting at noon, so cannot participate in this call. Here are our present questions:

- On DIUC's 4<sup>th</sup> quarter, 2018 bills to its customers, which line reflects the credit for the previous 6 quarters ("6 Quarters Credit")? We presume that credit is reflected in the "Total Previous Balance" line, but please confirm and, if the amount is reflected elsewhere, please inform us where.
- Which monetary elements are included, or potentially included, in the "Total Previous Balance"? (e.g., 6 Quarters Credit, unpaid balance from previous billing, etc.)
- If a Customer had a balance due from the prior billing period (for utility services and/or availability fees), how is that previous balance reflected in that customer's 4<sup>th</sup> quarter bill? How could such a customer tell what part of the Total Previous Balance represented the balance due versus the 6 Quarters Credit?
- If a customer is billed for more than one property on a single bill, does that bill distinguish between the 6 Quarters Credit applicable to each property? If not, how is the customer to determine the credit breakdown between the properties?
- How did DIUC calculate each customer's 6 Quarters Credit?
- What mechanism did DIUC use (the DIUC billing system, a separate spreadsheet, etc.) to calculate each customer's 6 Quarters Credit? If a separate spreadsheet, please provide a "live" version of the spreadsheet to the POAs and ORS, including associated customer billing and usage information. See, S.C. Code Ann., Section 58-5-240(D).
- Provide a representative explanation that shows, to the extent applicable, quarter by quarter, rate element by rate element, separated by water and sewer service, and including interest, how DIUC calculated that representative customer's 6 Quarters Credit.
- Provide a representative explanation that shows, quarter by quarter, separated by water and sewer service, and including interest, how DIUC calculated that representative customer's 6 Quarters Credit for availability fees.
- Explain the mathematical basis for your contention that 12% annual interest for 5 quarters equals 12.3%. Explain the mathematical basis for your contention that 12% annual interest for 6 quarters equals 13.4%.
- Why did DIUC not calculate interest on a customer's "pre-Interest credit" amount at 15% for 5 quarters and 18% for 6 quarters?

Best regards,

-John



**John Beach**  
Partner



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January 16, 2018

VIA EMAIL ONLY

Thomas P. Gressette, Jr., Esquire  
G. Trenholm Walker, Esquire  
Walker Gressette Freeman & Linton, LLC

RE: Daufuskie Island Utility Company, Inc. – Refund Calculation

Dear Mr. Gressette and Mr. Walker,

This letter describes the methodology used to calculate refunds applicable to DIUC's quarterly billings of its customers from July 1, 2016 through December 31, 2017. While I have addressed it to your office, I would ask that you make this information available to the Commission and to the parties involved in our pending rate proceeding.

The rates under DIUC's original application for a 108.9% rate increase were billed subject to refund for the billings sent to the customers beginning on or about July 1, 2016 and for subsequent quarters up to and including October 1, 2017 ("2016 Rates"). The S. C. Public Service Commission's ("PSC") Order dated December 20, 2017, permits DIUC an 89% revenue increase, which DIUC began billing on or about January 1, 2018 (January 1, 2018 Rates"). This billing includes refunds that are now due customers based on the differences between the 2016 Rates and the January 1, 2018 Rates. APPENDIX A contains a comparison of the rate structure under the January 1, 2018 Rates and the 2016 Rates as well as the Pre-Interest Refund Percentage Difference between the two rate structures. The Pre-Interest Refund Percentage Difference correlates with the dollar amount difference between the January 1, 2018 Rates and the 2016 Rates. Note that no refunds are necessary for the last quarter of 2017 because the January 1, 2018 Rates have been applied to that quarter.

A Schedule showing calculation of the Water and Sewer Availability Rate Refunds is available on DIUC's website, [www.daufuskieislandutility.com](http://www.daufuskieislandutility.com). A similar schedule is also included here as APPENDIX B ("Availability Billing of Amounts Reflecting Credit Refunds Under Newly Approved Rates"). The Schedule shows the differences between the 2016 Rates and the January 1, 2018 Rates, according to the number of quarters billed. The refunds are calculated by taking the difference between the rates paid under the 2016 Rates and the January 1, 2018 Rates, multiplying the difference by the number of quarters billed in order to determine the pre-interest refund (shown as "Sum of Quarterly Difference"), and then adding interest at the percentages for the respective number of quarters billed. The pre-interest refund plus the interest amount equals the total refund (shown as "Total Refund (Credit)"). The specific charges and refunds in APPENDIX B could be provided for availability customers because availability charges are the same for each customer each quarter.

Calculating the refunds due metered customers is slightly more complex because the usage rates have varying percentage differences between the 2016 Rates and the January 1, 2018 Rates and the usage charges for each account vary according to each quarters' usage by that customer. Using the actual

EXHIBIT 2, DIUC RESPONSE (4-3-2018)

billings for each customer, the percentage difference between the 2016 Base Service Charge implemented in July 2016 and the January 1, 2018 Base Service Charge rates was applied to the amount each customer paid for 2016 Base Service Charge billings. That difference is the pre-interest refund due to the customer. Similarly, for each customer the percentage difference between the 2016 Usage Rates and the January 1, 2018 Usage Rates was applied to the amount of each customer's total payments for Usage Rates in order to determine the pre-interest refund due to the customer for Usage charges for all quarters billed, and then adding interest for the respective number of quarters billed. The sum of the pre-interest refunds for the Base Service Charges and Usage Rate charges plus the interest equals the total refund.

APPENDIX C contains the calculation of the interest that was added to the pre-interest refunds, taking into account that interest for customers billed for 6 quarters from July 1, 2016 through December 31, 2017 would be higher than a customer who began taking service, for example, in the third quarter of 2017 and was therefore billed for the first time in the October 1, 2017 billing. APPENDIX C shows the specific interest calculations for customers who paid for service in 6, 5, 4, 3, 2, and 1 quarters.

Mr. Beach has asked DIUC to use a specific customer's bill to show how these calculations were made on the two accounts for that customer. APPENDIX D provides a working (live spreadsheet) copy of the specific calculation of the refund for that customer. As noted, that customer was billed for 6 quarters and the bill is calculated using the percentage refunds (credits) from APPENDIX A and the interest percentages from APPENDIX C. The calculation of the refund reflects the precise methodology described above.

We were able to work with the programmers so that our computerized billing system is able to show the total refund that reduces the current bill amount; however, the billing system just cannot show the detailed calculation of rates and interest for a customer in the way it is shown in APPENDIX D. In this instance, as with all DIUC's regularly issued bills, DIUC customers are encouraged to contact the billing office with any specific inquiries about how the rates were applied to their usage.

Because of the December 31, 2017, expiration of the bonds related to DIUC's billing of the 2016 Rates, the Commission scheduled rehearing to allow a decision before the end of 2017. With a 2017 decision DIUC would be able to proceed with a January 2018 billing (including any refunds necessary after the rehearing decision) and avoid the financial impact of a delayed billing. On December 20, 2017, the Commission entered its decision stating that the rates and revenues granted in the Order "should be shared with the other parties in the case, who should verify that said rates are consistent with the provisions of this Order." DIUC calculated the rates and revenue allowed by the Commission's decision and on December 22, 2017, DIUC provided all the parties its proposed Schedule of Rates and related revenue calculation.

A copy of DIUC's letter and the enclosed Schedules provided to all the lawyers on December 22, 2017, is attached as APPENDIX E. Schedule A-5 shows the differences between the July 2016 Rates and the January 1, 2018 Rates. Page 1 shows the Base Charge and Usage Charge then in effect. Page 2 shows the Base Charge and Usage Charge to be effective in the January 2018 billing. I do not expect the customers to be familiar with complex rate calculations, but I would like to be sure the customers know we provided this information to the POAs' lawyers in ample time before the January 2018 billing.

EXHIBIT 2, DIUC RESPONSE (4-3-2018)

The final matter I am compelled to address is a correspondence dated January 8, 2018, from Mr. Doug Egly to DIUC's customers, attached as APPENDIX F. In it Mr. Egly's makes totally false accusations that DIUC did not comply with the PSC's regulations and invoiced the customers without a formal order and approved rates. Mr. Egly then states, "This being the case, the attorneys representing the three POAs involved, have asked us to **instruct members NOT to pay their water bills** until DIUC's unlawful action have been addressed." (emphasis in original) DIUC is regulated by the PSC and the SC Office of Regulatory Staff, not the attorneys acting on behalf of the POAs. DIUC was required by the PSC's December 20, 2017 Order to submit rates for the January 1, 2018 billing and, as previously stated, share that submission with the other parties, giving them an opportunity to verify that those rates were consistent with that Order. DIUC submitted rates in compliance with that Order on December 22, 2017 providing ample time for a response by the other parties. There was no response filed with the PSC before January 1, 2018, except by ORS in an email on December 27, 2017 which indicated that if it would find discrepancies after reviewing the PSC's second "full" Order, it would report them to the PSC. Since its December 20, 2017 Order to date, the PSC has not issued any directive to DIUC to delay proceeding with the January 1, 2018 billing, and has made no finding that DIUC has not been in compliance with any regulation of law.

DIUC operates relying upon a predictable cash flow anticipated based upon the historical averages of when customers pay their bills. Those averages are so important they are included in the Commission's calculation of allowed rates. The accusations in Mr. Egly's correspondence are without merit and misleading, and his instruction to customers has adversely impacted DIUC's cash flow. As the POA customers fail to pay their bills and/or delay payment, this could jeopardize DIUC's financing options as well as DIUC's ability to fund system repairs and replacements, and could create a serious risk to DIUC's ability to provide service.

In closing I would like to reaffirm DIUC's commitment to providing reliable and efficient service to its customers on Daufuskie Island. I hope that the time and effort we have put into providing these materials has resulted in a thorough explanation of how DIUC applied the Commission's December 20, 2017 decision.

Sincerely,

GUASTELLA ASSOCIATES, LLC  
Manager of DIUC



John F. Guastella, President

Enclosures: APPENDICES A - F

APPENDIX A

**Daufuskie Island Utility Company, Inc.  
Comparative Tariff Rates**

	<u>Billed Rates</u>		<u>Pre-Interest Refund Percentage Difference</u>
	<u>2016 Rates</u>	<u>2018 Rates</u>	
<b>WATER</b>			
<u>Residential</u>			
<b>General:</b>			
Base Quarterly Charge	\$149.30	\$140.09	6.1688%
Consumption Charge (per 1,000 gallons)	\$4.41	\$4.01	9.0703%
<b>Irrigation:</b>			
Consumption Charge (per 1,000 gallons)			
0-18,000 gallons per quarter	\$4.85	\$4.41	9.0722% *
18,001-60,000 gallons	\$5.73	\$5.21	9.0750% *
Over 60,000 gallons	\$6.61	\$6.02	8.9259% *
<u>Commercial</u>			
<b>General:</b>			
Base Quarterly Charge	\$209.01	\$196.12	6.1672%
Consumption Charge (per 1,000 gallons)	\$4.41	\$4.01	9.0703%
<b>Irrigation:</b>			
Consumption Charge (per 1,000 gallons)			
0-18,000 gallons per quarter	\$4.85	\$4.41	9.0722% *
18,001-60,000 gallons	\$5.73	\$5.21	9.0750% *
Over 60,000 gallons	\$6.61	\$6.02	8.9259% *
<u>Availability</u>			
Quarterly Charge	\$107.49	\$100.86	6.1680%
<b>SEWER</b>			
<u>Residential</u>			
<b>General:</b>			
Base Quarterly Charge	\$218.18	\$201.65	7.5763%
Consumption Charge (per 1,000 gallons)	\$2.38	\$2.14	10.0840%
<u>Commercial</u>			
<b>General:</b>			
Base Quarterly Charge	\$305.45	\$282.31	7.5757%
Consumption Charge (per 1,000 gallons)	\$2.38	\$2.14	10.0840%
<u>Availability</u>			
Quarterly Charge	\$140.73	\$130.07	7.5748%

\* Note: An average rate of 9.02% was used for all indicated rate blocks.

EXHIBIT 2, DIUC RESPONSE (4-3-2018)

APPENDIX B

**Availability Billing of Amounts Reflecting Credit Refunds Under Newly Approved**

	<u>Quarterly Availability Billing</u>		<u>Quarterly Difference</u>	<u>Number of Quarters</u>	<u>Sum of Quarterly Difference</u>	<u>Interest Rate</u>	<u>Amount</u>
	<u>2016 Rates</u>	<u>Jan.1, 2018 Rates</u>					
<b><u>6 Quarters</u></b>							
Water	107.49	100.86	6.63	6	39.78	13.4%	
Sewer	140.73	130.07	10.66	6	63.96	13.4%	
<b><u>5 Quarters</u></b>							
Water	107.49	100.86	6.63	5	33.15	12.3%	
Sewer	140.73	130.07	10.66	5	53.3	12.3%	
<b><u>4 Quarters</u></b>							
Water	107.49	100.86	6.63	4	26.52	12.0%	
Sewer	140.73	130.07	10.66	4	42.64	12.0%	
<b><u>3 Quarters</u></b>							
Water	107.49	100.86	6.63	3	19.89	9.0%	
Sewer	140.73	130.07	10.66	3	31.98	9.0%	
<b><u>2 Quarters</u></b>							
Water	107.49	100.86	6.63	2	13.26	6.0%	
Sewer	140.73	130.07	10.66	2	21.32	6.0%	
<b><u>1 Quarter</u></b>							
Water	107.49	100.86	6.63	1	6.63	3.0%	
Sewer	140.73	130.07	10.66	1	10.66	3.0%	

- Notes:
- (1) Based on the number of quarters a customers has been billed since the July 1,2016 billing.
  - (2) The old rates reflect increases of 107.9% and 209.9% for water and sewer, respectively, or 108.9% combined.
  - (3) The new rates reflect increases of 87.9% and 90.1% for water and sewer, respectively, or 89.0% combined.
  - (4) Assumes no unrelated adjustments.

EXHIBIT 2, DIUC RESPONSE (4-3-2018)

APPENDIX C

Application of Daufuskie Island Utility Company, Inc. for Approval Rates and Charges  
 South Carolina Public Service Commission Docket No. 2014-346-WS

Calculation of Interest Rates per Number of Quarters

Assumptions for a hypothetical billing:

1. A customer was billed \$200 per quarter under the original application rates beginning July 1, 2016
2. On January 1, 2018 the customer will be billed \$180 for the last quarter of 2017 and given a refund or credit of \$20 per quarter.
3. The customer made payment on each day of the day billed, except a for only customers billed for 6 and 5 quarters for which a 30 day lag was used, or and adjusted interest rate of 11%.

Total Number of Quarters	Billing Period		Pre-Interest Refund	Refund plus Interest	Interest		Total Refund
	Dates	No. of Quarters			Rate	Amount	
6	7/1/16 to 6/30/17	4	\$ 80		11%	\$ 8.80	
	7/1/17 to 12/31/17			\$ 88.80	6%	5.33	
	7/1/17 to 12/31/17	1	20		6%	1.20	
	10/1/17 to 12/31/17	1	20		3%	0.60	
			<u>\$ 120</u>		<u>13.3%</u> (1)	\$ 15.93	\$ 135.93
5	10/1/17 to 9/30/17		80		11%	8.80	
	10/1/17 to 12/31/17			\$ 88.80	3%	2.66	
	10/1/17 to 12/31/17		20		3%	0.60	
			<u>\$ 100.00</u>		<u>12.1%</u> (1)	\$ 12.06	\$ 112.06
4	1/1/17 to 12/31/17		\$ 80.00		<u>12%</u>	\$ 9.60	\$ 89.60
3	4/1/17 to 12/31/17		\$ 60.00		<u>9.0%</u>	\$ 5.40	\$ 65.40
2	7/1-17 to 12/31/17		\$ 40.00		<u>6.0%</u>	\$ 2.40	\$ 42.40
1	10/1/17 to 12/31/17		\$ 20.00		<u>3.0%</u>	\$ 0.60	\$ 20.60

Note: The percentages actually used for the refunds were 13.4% for customers billed for 6 quarters and 12.3% for 5 quarters.

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APPENDIX D- Sample Bill Refund Calculation

last Name Deleted	acct_no	serv_id	rate	cc billed 7.1.16	Billed 10.1	Billed 1.1	billed 4.1	billed 7.1	billed 10.1	Total	Qtrs	Base Charge	BC Refund	Billed Usage	New Billed Usage	Usage Refund
	D-202500	D0232	SD1	\$ 219.68	\$ 218.37	\$ 218.18	\$ 218.18	\$ 220.58	\$ 218.49	\$ 1,313.48	6	\$ 1,309.08	\$ 99.23	\$ 4.40	\$ 3.96	\$ 0.00
	D-202500	D032	SD1	230.20	230.15	228.91	229.98	227.53	231.89	1378.66	6	1309.08	99.23	69.58	62.56	0.00
	D-202500	D0232	WD1	614.14	149.65	149.30	149.3	153.75	149.87	1366.01	6	895.80	67.90	470.21	422.79	47.42
	D-202500	D032	WD1	171.57	171.48	169.19	171.17	166.63	174.70	1024.74	6	895.80	67.90	128.94	115.94	13.00
	D-202500	D0232	WD3	138.64	69.21	57.08	12.08	4.75	81.38	363.14	6			363.14	326.52	36.62
	D-202500	D032	WD3	34.34	113.26	76.68	56.79	42.24	19.89	343.20	6			343.20	308.59	34.61

**Daufuskie Island Utility Company, Inc.  
Water and Wastewater Systems  
Combined Operating Statement**

	Company	Revised ORS	PSC Directive		
	Pro Forma Proposed Rates	Pro Forma Proposed Rates	Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
<b>Operating Revenue:</b>					
Residential	\$710,786	\$514,330	\$312,153	\$313,657	\$625,810
Commercial	287,589	241,135	146,277	114,342	260,619
Irrigation	213,238	201,180	99,193	83,860	183,053
Availability Billing	992,880	933,626	485,761	415,328	901,089
Misc. Other Revenue	63,229	46,623	30,197	27,949	58,146
Interdepartmental Sales	0	0	0	0	0
Billing Adjustments	0	1,498	0	0	0
<b>Total Revenues</b>	<b>2,267,722</b>	<b>1,938,392</b>	<b>1,073,581</b>	<b>955,136</b>	<b>2,028,718</b>
<b>Operating Expense:</b>					
Wages	164,752	176,590	176,590	0	176,590
Benefits	10,686	6,200	6,200	0	6,200
Director's Fees	16,500	16,500	16,500	0	16,500
Sludge Disposal	0	0	0	0	0
Power	166,718	130,181	130,181	0	130,181
Chemicals	9,510	9,020	9,020	0	9,020
Supplies & Maintenance	28,543	27,116	27,116	0	27,116
Outside Services-Mgmt	171,364	132,211	171,365	0	171,365
Outside Services-Engineering	8,013	10,137	10,137	0	10,137
Outside Services-Accounting	2,762	2,761	2,761	0	2,761
Outside Services-Legal	23,178	23,178	23,178	0	23,178
Outside Services-Testing	92,289	92,288	92,288	0	92,288
Outside Services-Other	38,622	38,621	38,621	0	38,621
Other Operating Expenses	0	0	0	0	0
Transportation	2,756	2,450	2,450	0	2,450
Bad Debt	30,852	190,127	105,383	93,778	199,161
Insurance	48,322	38,913	38,913	0	38,913
Regulatory Commission Expense	15,636	15,636	15,636	0	15,636
Other A&G Expenses	36,436	36,438	36,438	0	36,438
Accepted ORS Adjustment	0	(46,033)	(46,033)	0	(46,033)
<b>Total O&amp;M Expense</b>	<b>866,939</b>	<b>902,335</b>	<b>856,744</b>	<b>93,778</b>	<b>950,523</b>
Depreciation	95,266	82,560	82,560	0	82,560
Amortization of Rate Case Exp	206,076	54,477	90,794	0	90,794
Amortization of Deferred Property Tax		65,855	65,855	0	65,855
Revenue Taxes	14,320	16,592	9,196	8,181	17,377
Property Taxes	192,301	192,301	192,301	0	192,301
Payroll Taxes	13,732	13,212	13,212	0	13,212
State and Federal Income Taxes	260,495	174,109	0	176,371	176,371
<b>Total Operating Expenses</b>	<b>1,649,129</b>	<b>1,501,441</b>	<b>1,310,664</b>	<b>278,331</b>	<b>1,588,994</b>
<b>Net Operating Income</b>	<b>\$618,593</b>	<b>\$436,951</b>	<b>(\$237,082)</b>		<b>\$439,723</b>
<b>Rate Base</b>	<b>\$7,085,475</b>	<b>\$5,867,632</b>	<b>\$5,894,128</b>		<b>\$5,894,128</b>
<b>Rate of Return</b>	<b>8.73%</b>	<b>7.45%</b>	<b>-4.02%</b>		<b>7.46%</b>
<b>Revenue Increase</b>	<b>108.9%</b>	<b>80.6%</b>			<b>89.0%</b>
<b>Interest Expense</b>	<b>\$180,680</b>	<b>\$142,783</b>			<b>\$143,227</b>
<b>Operating Margin</b>	<b>19.3%</b>	<b>15.2%</b>			<b>14.6%</b>

**Notes:**

- A Restored Management Fees.**
- B Allows ORS's Rate Case Expense with 3 year amortization.**
- C Fall-out amounts Impact Revenue Tax, Income Taxes, Bad Debt Expense and Working Capital rate base allowance.**

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**Daufuskie Island Utility Company, Inc.**  
Revenue Impact Analysis  
Test Year Revenue - Existing Rates

**WATER**

Customer	Classification	Consumption	Usage Charge	Units	Base Charge	Revenue	
Haig Point-Residential	3/4" Meter			1,061	\$62.09	\$65,877	
	0 to 22,500 gals.	8,360,179	\$2.76				\$23,074
	Over 22,500 gals.	3,192,728	\$2.76				\$8,812
Haig Point-Irrigation	0 to 18,000 gals.	8,367,838	\$2.76	727		\$23,095	
	18,001 to 60,000 gals.	9,829,270	\$3.09			\$30,372	
	Over 60,000 gals.	10,049,342	\$3.50			\$35,173	
Melrose-Residential	3/4" Meter			452	\$80.72	\$36,485	
	0 to 22,500 gals.	4,105,940	\$0.00				\$0
	Over 22,500 gals.	2,177,808	\$2.44				\$5,314
Melrose-Irrigation	0 to 18,000 gals.	1,368,330	\$1.66	100		\$2,271	
	18,001 to 60,000 gals.	2,002,230	\$1.66			\$3,324	
	Over 60,000 gals.	2,986,298	\$1.66			\$4,957	
Haig Point-Commercial	Metered			106	\$86.93	\$9,215	
	0 to 22,500 gals.	2,413,190	\$2.76				\$6,660
	Over 22,500 gals.	2,132,690	\$2.76				\$5,886
Melrose-Commercial	Metered			329	\$136.60	\$44,941	
	0 to 22,500 gals.	1,752,659	\$0.00				\$0
	Over 22,500 gals.	2,544,703	\$2.44				\$6,209
<b>Water Service Total</b>		<b>61,283,205</b>		<b>2,775</b>		<b>\$311,667</b>	

**SEWER**

Customer	Classification	Consumption	Usage Charge	Units	Base Charge	Revenue	
Haig Point-Residential	3/4" Meter			1,061	\$110.38	\$117,113	
	0 to 22,500 gals.	8,360,179	\$1.32				\$11,035
	Over 22,500 gals.	3,192,728	\$1.32				\$4,214
Melrose-Residential	3/4" Meter			448	\$80.72	\$36,163	
	0 to 22,500 gals.	3,926,008	\$0.00				\$0
	Over 22,500 gals.	2,296,390	\$1.77				\$4,065
Haig Point-Commercial	Metered			102	\$178.21	\$18,177	
	0 to 22,500 gals.	2,362,530	\$1.32				\$3,119
	Over 22,500 gals.	2,132,690	\$1.32				\$2,815
Melrose-Commercial	Metered			329	\$136.60	\$44,941	
	0 to 22,500 gals.	1,559,487	\$0.00				\$0
	Over 22,500 gals.	2,436,565	\$1.77				\$4,313
<b>Water Service Total</b>		<b>26,266,577</b>		<b>1,940</b>		<b>\$245,955</b>	

<b>REVENUE SUMMARY:</b>					
	Total Residential Water and Sewer Service Revenues				\$312,153
	Total Commercial Water and Sewer Service Revenues				\$146,277
	Total Irrigation Service Revenues				\$99,193
			<b>Total Water and Sewer Service Revenues</b>		<b>\$557,623</b>
Availability Billing-Water	Haig Point		1,917	\$31.04	\$59,504
	Melrose		1,617	\$76.36	\$123,474
	Bloody Point		368	\$76.36	\$28,100
	Haig Point		1,917	\$55.19	\$105,799
	Melrose		1,617	\$85.08	\$137,574
Availability Billing-Sewer	Bloody Point		368	\$85.08	\$31,309
			<b>Total Water and Sewer Availability Revenues</b>		<b>\$485,761</b>
Misc. Other Revenue	Other				
	Return Check Fees				
	Late Fees-Metered Sales				
	Late Fees-Availability				
			<b>Total Misc. Other Revenue</b>		<b>\$30,197</b>
			<b>Total Operating Revenue</b>		<b>\$1,073,581</b>

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Daufuskie Island Utility Company, Inc.  
Revenue Impact Analysis  
Test Year Revenue - Proposed Rates

WATER								
Customer	Classification	Consumption	Usage Charge	Units	Base Charge	Revenue	Increase Amt.	Increase %
Haig Point-Residential	3/4" Meter			1,061	\$140.09	\$148,635	\$82,758	125.6%
	0 to 22,500 gals.	8,360,179	\$4 01			\$33,524	\$10,450	45.3%
	Over 22,500 gals.	3,192,728	\$4 01			\$12,803	\$3,991	45.3%
Haig Point-Irrigation				727		\$0	\$0	N/A
	0 to 18,000 gals.	8,367,838	\$4.41			\$36,902	\$13,807	59.8%
	18,001 to 60,000 gals.	9,829,270	\$5 21			\$51,211	\$20,838	68.6%
	Over 60,000 gals.	10,049,342	\$6 02			\$60,497	\$25,324	72.0%
Melrose-Residential	3/4" Meter			452	\$140.09	\$63,321	\$26,835	73.6%
	0 to 22,500 gals.	4,105,940	\$4 01			\$16,465	\$16,465	N/A
	Over 22,500 gals.	2,177,808	\$4 01			\$8,733	\$3,419	64.3%
Melrose-Irrigation				100		\$0	\$0	N/A
	0 to 18,000 gals.	1,368,330	\$4.41			\$6,034	\$3,763	165.7%
	18,001 to 60,000 gals.	2,002,230	\$5 21			\$10,432	\$7,108	213.9%
	Over 60,000 gals.	2,986,298	\$6 02			\$17,978	\$13,020	262.7%
Haig Point-Commercial	Metered			106	\$196.12	\$20,789	\$11,574	125.6%
	0 to 22,500 gals.	2,413,190	\$4 01			\$9,677	\$3,016	45.3%
	Over 22,500 gals.	2,132,690	\$4 01			\$8,552	\$2,666	45.3%
Melrose-Commercial	Metered			329	\$196.12	\$64,523	\$19,582	43.6%
	0 to 22,500 gals.	1,752,659	\$4 01			\$7,028	\$7,028	N/A
	Over 22,500 gals.	2,544,703	\$4 01			\$10,204	\$3,995	64.3%
	<b>Water Service Total</b>	<b>61,283,205</b>			<b>2,775</b>		<b>\$587,308</b>	<b>\$275,641</b>
SEWER								
Customer	Classification	Consumption	Usage Charge	Units	Base Charge	Revenue	Increase Amt.	Increase %
Haig Point-Residential	3/4" Meter			1,061	\$201.65	\$213,951	\$96,837	82.7%
	0 to 22,500 gals.	8,360,179	\$2.14			\$17,891	\$6,855	62.1%
	Over 22,500 gals.	3,192,728	\$2.14			\$6,832	\$2,618	62.1%
Melrose-Residential	3/4" Meter			448	\$201.65	\$90,339	\$54,177	149.8%
	0 to 22,500 gals.	3,926,008	\$2.14			\$8,402	\$8,402	N/A
	Over 22,500 gals.	2,296,390	\$2.14			\$4,914	\$850	20.9%
Haig Point-Commercial	Metered			102	\$282.31	\$28,796	\$10,618	58.4%
	0 to 22,500 gals.	2,362,530	\$2.14			\$5,056	\$1,937	62.1%
	Over 22,500 gals.	2,132,690	\$2.14			\$4,564	\$1,749	62.1%
Melrose-Commercial	Metered			329	\$282.31	\$92,880	\$47,939	106.7%
	0 to 22,500 gals.	1,559,487	\$2.14			\$3,337	\$3,337	N/A
	Over 22,500 gals.	2,436,565	\$2.14			\$5,214	\$902	20.9%
<b>Water Service Total</b>	<b>26,266,577</b>			<b>1,940</b>		<b>\$482,176</b>	<b>\$236,221</b>	<b>96.0%</b>
<b>REVENUE SUMMARY:</b>								
Total Residential Water and Sewer Service Revenues						\$625,810	\$313,657	100.5%
Total Commercial Water and Sewer Service Revenues						\$260,621	\$114,344	78.2%
Total Irrigation Service Revenues						\$183,053	\$83,860	84.5%
<b>Total Water and Sewer Service Revenues</b>						<b>\$1,069,484</b>	<b>\$511,861</b>	<b>91.8%</b>
Availability Billing-Water	Haig Point			1,917	\$100.86	\$193,349	\$133,845	224.9%
	Melrose			1,617	\$100.86	\$163,091	\$39,617	32.1%
	Bloody Point			368	\$100.86	\$37,116	\$9,016	32.1%
Availability Billing-Sewer	Haig Point			1,917	\$130.07	\$249,344	\$143,545	135.7%
	Melrose			1,617	\$130.07	\$210,323	\$72,749	52.9%
	Bloody Point			368	\$130.07	\$47,866	\$16,556	52.9%
<b>Total Water and Sewer Availability Revenues</b>						<b>\$901,089</b>	<b>\$415,328</b>	<b>85.5%</b>
<b>Total Misc. Other Revenue</b>						<b>\$58,146</b>	<b>\$27,949</b>	<b>92.6%</b>
<b>Total Operating Revenue</b>						<b>\$2,028,719</b>	<b>\$955,138</b>	<b>89.0%</b>

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Daufuskie Island Utility Company (DIUC) Rate Hike



**HAIG POINT**  
— DAUFUSKIE ISLAND —

Daufuskie Island Utility Company (DIUC) Rate Hike

January 8, 2018

Dear Member

You may have received your quarterly DIUC water bill. Please be advised that DIUC has not complied with regulations set forth by the Public Service Commission (PSC) at the December 20, 2018 hearing regarding Haig Point's, Melrose's and Bloody Point's water rate hike. More specifically, DIUC should not have invoiced its customers until a formal Order and an approved Rate sheet are promulgated by PSC.

This being the case, the attorneys representing the three POAs involved, have asked us to **instruct members NOT to pay their water bills** until DIUC's unlawful actions have been addressed. Please note that this a temporary payment boycott and that our attorneys expect to resolve billing issues before the 1/31/18 payment deadline.

A letter was filed with the Commission on Friday by the attorneys. The letter documents DIUC's actions and establishes our opposition to them.

We will update you before the end of January. In the meantime, I am available to answer your questions.

EXHIBIT 2, DIUC RESPONSE (4-3-2018)

Thank you,

Doug Egly, CEO



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Our email address is:

[comment@haigpoint.com](mailto:comment@haigpoint.com)

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2014-346-WS**

IN RE: )  
Application of Daufuskie Island Utility Company, Inc. )  
For Approval of a New Schedule of Rates and )  
Charges for Water and Sewer Service )

**NOTICE OF**  
**REVISED RATE SCHEDULE**

On March 21, 2018, the Commission entered a Directive denying DIUC's Motion for Reconsideration of Order No. 2018-68. The Directive also included the following discussion:

... in its filing on February 4, 2018, the Company noted that, pursuant to our Order on Rehearing, it is collecting \$955,136 in additional annual revenue, rather than the \$950,166 in additional annual revenue that we approved in that Order. I move that we require the Company to make appropriate adjustments to cease the collection of the annual revenue which exceeds the authorized level of \$950,166.

Directive at 2.

DIUC submits the attached Schedules demonstrating the appropriate adjustments have been made in response to the Directive. *See Exhibit 1.* As indicated, the rates reflect the \$950,166 annual increase and refunds related to the difference between the \$955,136 total and the \$950,166 adjusted total.<sup>1</sup> The Schedules also demonstrate a further reduction to reflect additional refunds, with interest, for the 6 quarters for which the previous refunds were made.

The difference between the \$955,136 increase reflected in the existing rates and the adjusted \$950,166 increase is \$4,970, which for a year and a half would require a pre-interest

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<sup>1</sup> When DIUC applied the rulings of the Commission upon rehearing, the resulting fallout adjustments produce a revenue increase in the amount of \$955,136. *See Letter from Gressette to Honorable Jocelyn Boyd, dated and electronically filed December 22, 2017 with attached Schedule A-5 "Test Year Revenue - Proposed Rates."*

EXHIBIT 3, DIUC RESPONSE (4-3-2018)

refund of \$7,455, plus \$447 of interest at 12% applied to the average amount of the pre-interest refund.

The rate reductions will benefit all customers and are being applied to the Base Service Charges for connected customers and to the Availability Rates for availability customers. This will not impact the calculation of usage rates.

Because the refund with interest is so small, on average only a little over \$0.63 per quarterly bill (a range of \$0.49 to \$1.39), it is not economical to incur the administrative costs and billing system costs of including a refund for this billing then revising the entire calculation again for the next billings. Therefore, the revised rates will include a reduction for the refund for all future billings. This provides every customer with an additional credit in every billing cycle, until the next rate revision is effectuated by appeal or subsequent rate application.

Respectfully submitted,

/s/ Thomas P. Gressette, Jr.

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**WALKER GRESSETTE**

**FREEMAN & LINTON, LLC**

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Phone: 843-727-2200

March 28, 2018

Charleston, South Carolina

**CERTIFICATE OF SERVICE**

This is to certify that on March 28, 2018, I caused to be served upon the counsel of record named below a copy of the foregoing **NOTICE OF REVISED RATE SCHEDULE**, by electronic mail, as indicated.

- Standing Hearing Office David Butler ([David.Butler@psc.sc.gov](mailto:David.Butler@psc.sc.gov))
- Andrew M. Bateman, Esq. ([abateman@regstaff.sc.gov](mailto:abateman@regstaff.sc.gov))
- Jeff Nelson, Esq. ([jnelson@regstaff.sc.gov](mailto:jnelson@regstaff.sc.gov))
- John J. Pringle, Jr., Esq. ([jack.pringle@arlaw.com](mailto:jack.pringle@arlaw.com))
- John F. Beach, Esq. ([john.beach@arlaw.com](mailto:john.beach@arlaw.com))

/s/ Thomas P. Gressette, Jr.

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Docket No. 2014-346-WS

**Daufuskie Island Utility Company, Inc.**

**Tariff - Statement of Proposed Rates**

			Proposed Rates
<b>I. <u>Residential Rates</u></b>			
<b>A. <u>Water:</u></b>			
1)	Base Quarterly Charge		\$139.30
2)	Consumption Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	\$4.03
		Over 22,500 gallons	\$4.03
<b>B. <u>Sewer:</u></b>			
1)	Base Quarterly Charge		\$199.32
2)	Volumetric Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	\$2.13
		Over 22,500 gallons	\$2.13
<b>C. <u>Irrigation:</u></b>			
1)	Consumption Charge (per 1,000 gallons)	0 to 18,000 gallons per quarter	\$4.43
		18,001 to 60,000 gallons	\$5.23
		Over 60,000 gallons	\$6.04
<b>II. <u>Commercial Rates</u></b>			
<b>A. <u>Water:</u></b>			
1)	Base Quarterly Charge		\$194.99
2)	Consumption Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	\$4.03
		Over 22,500 gallons	\$4.03
<b>B. <u>Sewer:</u></b>			
1)	Base Quarterly Charge		\$279.00
2)	Volumetric Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	\$2.13
		Over 22,500 gallons	\$2.13
<b>C. <u>Irrigation:</u></b>			
1)	Consumption Charge (per 1,000 gallons)	0 to 18,000 gallons per quarter	\$4.43
		18,001 to 60,000 gallons	\$5.23
		Over 60,000 gallons	\$6.04
<b>III. <u>Availability Charge</u></b>			
<b>A. <u>Water:</u></b>			
1)	Base Quarterly Charge		\$100.54
<b>B. <u>Sewer:</u></b>			
1)	Base Quarterly Charge		\$128.56

Docket No. 2014-346-WS

**Daufuskie Island Utility Company, Inc.  
 Water and Wastewater Systems  
 Combined Operating Statement**

	Company	PSC Order (a)	
	Pro Forma Proposed Rates	Adjustments	Pro Forma Proposed Rates
<b>Operating Revenue:</b>			
Residential	\$710,786	(\$86,649)	\$624,137
Commercial	287,589	(27,633)	259,956
Irrigation	213,238	(29,969)	183,269
Availability Billing	992,880	(94,562)	898,318
Misc. Other Revenue	63,229	(5,150)	58,079
Interdepartmental Sales	0	0	0
Billing Adjustments	0	0	0
<b>Total Revenues</b>	<b>2,267,722</b>	<b>(243,963)</b>	<b>2,023,759</b>
<b>Operating Expense:</b>			
Wages	164,752	11,838	176,590
Benefits	10,686	(4,486)	6,200
Director's Fees	16,500	0	16,500
Sludge Disposal	0	0	0
Power	166,718	(36,537)	130,181
Chemicals	9,510	(490)	9,020
Supplies & Maintenance	28,543	(1,427)	27,116
Outside Services-Mgmt	171,364	1	171,365
Outside Services-Engineering	8,013	2,124	10,137
Outside Services-Accounting	2,762	(1)	2,761
Outside Services-Legal	23,178	0	23,178
Outside Services-Testing	92,289	(1)	92,288
Outside Services-Other	38,622	(1)	38,621
Other Operating Expenses	0	0	0
Transportation	2,756	(306)	2,450
Bad Debt	30,852	168,309	199,161
Insurance	48,322	(9,409)	38,913
Regulatory Commission Expense	15,636	0	15,636
Other A&G Expenses	36,436	2	36,438
Accepted ORS Adjustment	0	(50,988)	(50,988)
<b>Total O&amp;M Expense</b>	<b>866,939</b>	<b>78,629</b>	<b>945,568</b>
Depreciation	95,266	(12,706)	82,560
Amortization of Rate Case Exp	140,221	(49,427)	90,794
Amortization of Deferred Property Tax	65,855	0	65,855
Revenue Taxes	14,320	3,014	17,334
Property Taxes	192,301	1	192,302
Payroll Taxes	13,732	(520)	13,212
State and Federal Income Taxes	260,495	(84,153)	176,342
<b>Total Operating Expenses</b>	<b>1,649,129</b>	<b>(65,162)</b>	<b>1,583,967</b>
<b>Net Operating Income</b>	<b>\$618,593</b>	<b>(\$178,801)</b>	<b>\$439,792</b>
<b>Rate Base</b>	<b>\$7,085,475</b>	<b>(\$1,192,338)</b>	<b>\$5,893,137</b>
<b>Rate of Return</b>	<b>8.73%</b>		<b>7.46%</b>
<b>Revenue Increase</b>	<b>108.9%</b>		<b>88.5%</b>
<b>Interest Expense</b>	<b>\$180,680</b>	<b>(\$37,477)</b>	<b>\$143,203</b>
<b>Operating Margin</b>	<b>19.3%</b>		<b>14.7%</b>

Note (a):

- 1) Restored Water Tank Site Assets.
- 2) Restored correct level of property tax expense and amortization of deferred taxes
- 3) Restore bad debt expense to 9.82% of revenue and adjusted for revenue increase.
- 4) Restore Mgmt Fees to "As Filed" Expense
- 5) Limit Rate Case Costs allowance to ORS's level and amortized over 3 years.

**Daufuskie Island Utility Company, Inc.**

**Water Operating Statement**

	Company's Pro Forma Proposed Rates	PSC Order		
		Pro Forma Present Rates	Adjustments	Pro Forma Proposed Rates
<b>Operating Revenue:</b>				
Residential	\$146,590	\$139,563	\$144,461 (1b)	\$284,024
Commercial	72,931	72,912	48,097 (1d)	121,008
Irrigation	104,868	99,193	84,076 (1f)	183,269
Availability Billing	202,156	211,078	183,141 (1h)	394,219
Misc. Other Revenue	20,531	19,729	18,582 (1j)	38,311
Metered Sales-Other	0	0	0	0
Billing Adj (Remove Tap Fees)	0	0	0	0
<b>Total Revenues</b>	<b>547,076</b>	<b>542,475</b>	<b>478,357</b>	<b>1,020,831</b>
<b>Operating Expense:</b>				
Wages	82,376	88,295		88,295
Benefits	5,343	3,100		3,100
Officer & Director's Fees	8,250	8,250		8,250
Sludge Disposal	0	0		0
Purchased Water	0	0		0
Power	83,095	64,953		64,953
Chemicals	4,740	4,510		4,510
Supplies & Maintenance	14,544	13,828		13,828
Outside Services-Mgmt	85,682	85,682		85,682
Outside Services-Engineering	2,570	425		425
Outside Services-Accounting	1,381	1,381		1,381
Outside Services-Legal	11,589	11,589		11,589
Outside Services-Testing	81,578	81,578		81,578
Outside Services-Other	31,026	31,026		31,026
Other Operating Expenses	0	0		0
Transportation	1,378	1,225		1,225
Bad Debt	6,676	53,249	46,806 (20)	100,055
Insurance	24,161	19,455		19,455
Regulatory Commission Expense	13,506	13,506		13,506
Other A&G Expenses	14,683	14,683		14,683
Accepted ORS Adjustment	0	(30,136)		(30,136)
<b>Total O&amp;M Expense</b>	<b>472,578</b>	<b>466,598</b>	<b>46,806</b>	<b>513,404</b>
Depreciation, Net	41,938	42,028		42,028
Amortization	103,038	78,325		78,325
Revenue Taxes	3,455	4,647	4,097 (21)	8,744
Property Taxes	91,967	96,151		96,151
Payroll Taxes	6,866	6,606		6,606
State and Federal Income Taxes	0	0	79,716 (22)	79,716
<b>Total Operating Expenses</b>	<b>719,842</b>	<b>694,355</b>	<b>130,619</b>	<b>824,974</b>
<b>Net Operating Income</b>	<b>(\$172,766)</b>	<b>(\$151,880)</b>		<b>\$195,858</b>
<b>Rate Base</b>	<b>\$3,278,504</b>	<b>\$2,664,011</b>		<b>\$2,664,011</b>
<b>Rate of Return</b>	<b>-5.27%</b>	<b>-5.70%</b>		<b>7.35%</b>
		<b>Revenue Increase</b>		<b>88.2%</b>

**Daufuskie Island Utility Company, Inc.**

**Sewer Operating Statement**

	Company's Pro Forma		PSC Order	
	Proposed Rates	Present Rates	Adjustments	Pro Forma Proposed Rates
<b>Operating Revenue:</b>				
Residential	\$180,814	\$172,590	\$167,523 (1b)	\$340,113
Commercial	75,576	73,365	65,582 (1d)	138,947
Irrigation	0	0	0	0
Availability Billing	272,171	274,683	229,416 (1f)	504,099
Misc. Other Revenue	9,783	10,468	9,300 (1h)	19,768
Interdepartmental Sales	0	0	0	0
Billing Adj (Remove Tap Fees)	0	0	0	0
<b>Total Revenues</b>	<b>538,344</b>	<b>531,107</b>	<b>471,821</b>	<b>1,002,928</b>
<b>Operating Expense:</b>				
Wages	82,376	88,296		88,296
Benefits	5,343	3,100		3,100
Officer & Director's Fees	8,250	8,250		8,250
Sludge Disposal	0	0		0
Power	83,623	65,228		65,228
Chemicals	4,770	4,510		4,510
Supplies & Maintenance	13,999	13,288		13,288
Outside Services-Mgmt	85,682	85,682		85,682
Outside Services-Engineering	5,443	9,712		9,712
Outside Services-Accounting	1,381	1,381		1,381
Outside Services-Legal	11,589	11,589		11,589
Outside Services-Testing	10,711	10,711		10,711
Outside Services-Other	7,596	7,596		7,596
Other Operating Expenses	0	0		0
Transportation	1,378	1,225		1,225
Bad Debt	8,086	52,133	46,972 (20)	99,106
Insurance	24,161	19,456		19,456
Regulatory Commission Expense	2,130	2,130		2,130
Other A&G Expenses	21,753	21,753		21,753
Accepted ORS Adjustment	0	(15,897)		(15,897)
<b>Total O&amp;M Expense</b>	<b>378,271</b>	<b>390,143</b>	<b>46,972</b>	<b>437,115</b>
Depreciation	53,328	40,532		40,532
Amortization	103,038	78,325		78,325
Revenue Taxes	3,400	4,549	4,041 (21)	8,590
Property Taxes	100,334	96,151		96,151
Payroll Taxes	6,866	6,606		6,606
State and Federal Income Taxes	0	0		0
<b>Total Operating Expenses</b>	<b>645,237</b>	<b>616,306</b>	<b>96,626 (22)</b>	<b>763,944</b>
<b>Net Operating Income</b>	<b>(\$106,893)</b>	<b>(\$85,199)</b>		<b>\$238,984</b>
<b>Rate Base</b>	<b>\$3,806,971</b>	<b>\$3,229,125</b>		<b>\$3,229,125</b>
<b>Rate of Return</b>	<b>-2.81%</b>	<b>-2.64%</b>		<b>7.40%</b>
			<b>Revenue Increase</b>	<b>88.8%</b>

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**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2014-346-WS**

IN RE: Application of Daufuskie Island Utility Company, ) **CERTIFICATE OF**  
Incorporated for Approval of an Increase for Water and ) **SERVICE**  
Sewer Rates, Terms and Conditions )

This is to certify that I, Vicki L. Watts, have this date served one (1) copy of the **ORS ANSWER**  
**TO DIUC MOTION FOR RECONSIDERATION OF DIRECTIVE OF 2018-208** in the  
above-referenced matter to the person(s) named below by causing said copy to be electronically  
mailed as shown below:

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Vicki L. Watts

April 10, 2018  
Columbia, South Carolina